

Emission Warranty Information Reporting and Recall Regulations Proposed Amendments (Continued From December 2006)

March 22, 2007
Sacramento, California



Overview

- Warranty Reporting Program - Overview
- Why changes are needed
- Staff's proposal
- Process and proposed changes since December
- Remaining issues



Comprehensive Program to Assure Low Emissions

Program	Purpose	Period Years/miles*
Certification	<ul style="list-style-type: none">•Able to meet emission std.•Durable emission controls	10/120K

Comprehensive Program to Assure Low Emissions

Program	Purpose	Period Years/miles*
Certification	<ul style="list-style-type: none"> •Able to meet emission std. •Durable emission controls 	10/120K
Assembly line	•Built correctly	0/0K


Comprehensive Program to Assure Low Emissions

Program	Purpose	Period Years/miles*
Certification	<ul style="list-style-type: none"> •Able to meet emission std. •Durable emission controls 	10/120K
Assembly line	<ul style="list-style-type: none"> •Built correctly 	0/0K
Warranty	<ul style="list-style-type: none"> •Encourage durable parts •Protect consumer 	3/50K 7/70K

5

*Passenger cars

Comprehensive Program to Assure Low Emissions

Program	Purpose	Period Years/miles*
Certification	<ul style="list-style-type: none"> •Able to meet emission std. •Durable emission controls 	10/120K
Assembly line	<ul style="list-style-type: none"> •Built correctly 	0/0K
Warranty	<ul style="list-style-type: none"> •Encourage durable parts •Protect consumer 	3/50K 7/70K
OBD 	•ID individual part failures	lifetime

6

*Passenger cars

Comprehensive Program to Assure Low Emissions

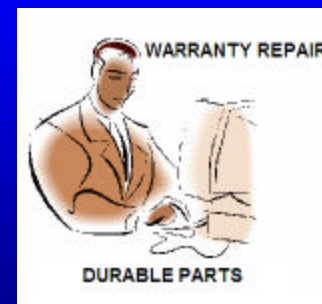
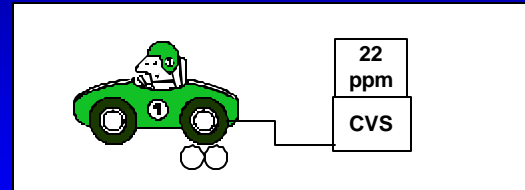
Program	Purpose	Period Years/miles*
Certification	<ul style="list-style-type: none">•Able to meet emission std.•Durable emission controls	10/120K
Assembly line	<ul style="list-style-type: none">•Built correctly	0/0K
Warranty	<ul style="list-style-type: none">•Encourage durable parts•Protect consumer	3/50K 7/70K
OBD	<ul style="list-style-type: none">•ID individual part failures	lifetime
Compliance	<ul style="list-style-type: none">•ID systemic part defects	Varies

7

*Passenger cars

Compliance - Three Individual Programs

- In-Use Emissions
Testing
- OBD Verification
- **Warranty Reporting**



Warranty Reporting: Key Elements

Program Element	Defect Rate	
	Current	Proposed
Early warning	1%	4%



Warranty Reporting: Key Elements

Program Element	Defect Rate	
	Current	Proposed
Early warning	1%	4%
Preliminary defect threshold - Report	4%	10%



Warranty Reporting: Key Elements

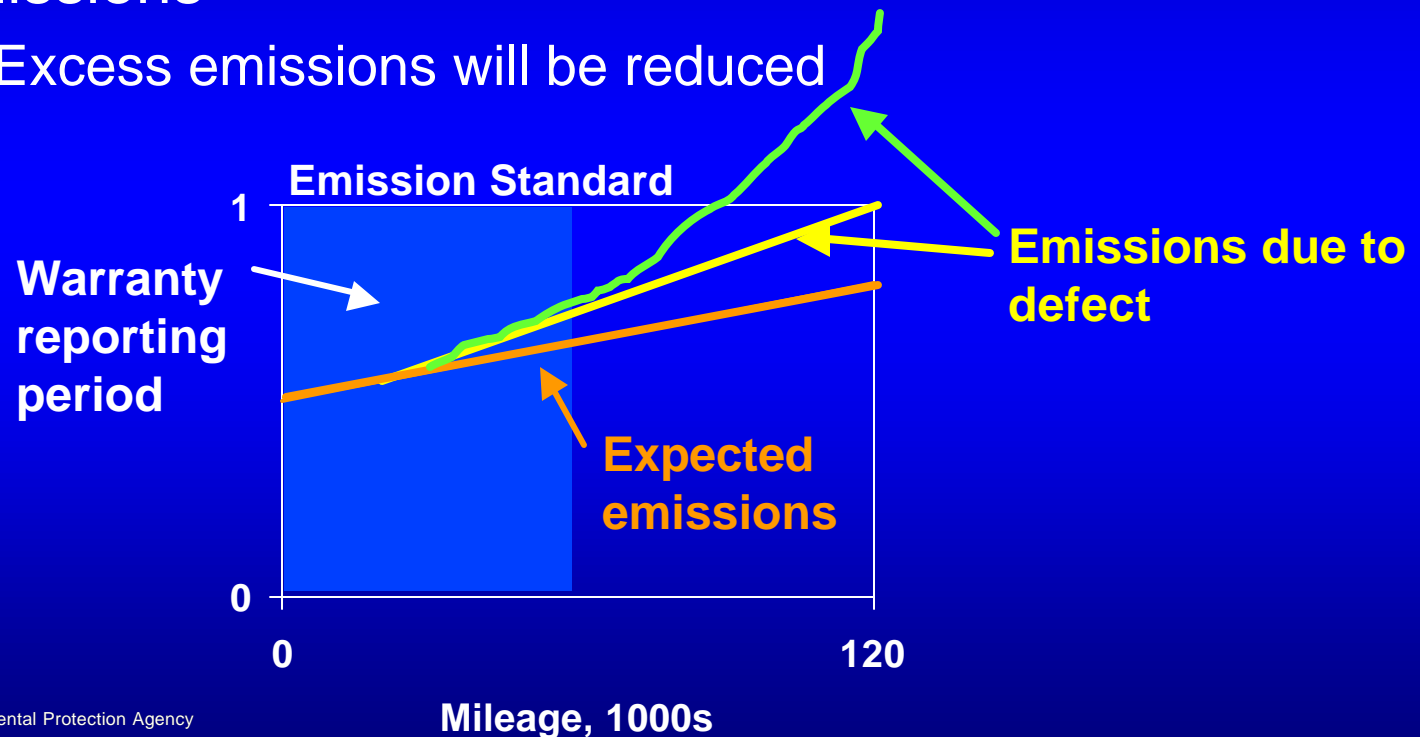
Program Element	Defect Rate	
	Current	Proposed
Early warning	1%	4%
Preliminary defect threshold - Report	4%	10%
Verified defect threshold – Remedial action required	4%	4%

Problems With The Current Warranty Reporting Program

- Vehicles with defects are not being recalled
 - Manufacturers claim emission standards won't be exceeded
- Judge ruled ARB must show emission standards will be exceeded even though emission control device is defective
 - Defective OBD system went uncorrected
 - Large number of defective catalysts were not recalled
- Biggest, high cost recalls being contested, avoided

Correcting Problems & Improving the Program

- Corrective actions based on the defect rate, not emissions
 - Excess emissions will be reduced



Correcting Problems & Improving the Program

- Allow extended warranties as a corrective action in lieu of recall
 - Relies on OBD to detect failure
 - Lower cost – not all parts will fail and need replacement
 - Fewer owners inconvenienced
- Auto makers and independent repair shops remain opposed

Correcting Problems & Improving the Program

- Reduce reporting requirements
 - Lowers cost to manufacturers
- Implement with 2010 models
 - Passenger vehicles, truck engines and motorcycles



Board Direction

December Board Meeting

- Staff proposal right policy approach
- Staff proposed conceptual changes - need specific regulatory language developed
- More time may resolve some concerns
- Return with revised proposal

Post-December Process

- Numerous meetings and calls
- Supplemental staff report issued January 23
- Updated draft regulations posted February 8
- Public workshop on February 14
- Final staff proposal posted March 9



Post-December Changes

- Limit extended warranty to vehicle's useful life
- Allow manufacturer to recall instead of extending warranty
- Appeal process added when extended warranty ordered
- Revised certification statement to clarify no new demonstration of durability needed
- More than 80 total changes proposed
 - Most clarify or improve regulation

Projected Impact of Proposal Passenger Vehicles*

- # of vehicle groups subject to corrective action increases by 200%
 - # recalls reduced by 90%
- 17 manufacturers – No corrective actions
- 13 manufacturers – 3 or less actions/year
- 5 manufacturers – 4 or more actions/year
 - Account for 37% of all corrective actions

* Projected based on experience with model years 2001-03



Remaining Issues

Automobile Industry

- Insists corrective action be based on demonstrated exceedance of emission standard
 - ARB lacks authority to do otherwise
- Requests corrective action be voided for
 - Unforeseen circumstances
 - Excessive costs

Remaining Issues

Heavy-duty Engine Industry

- Requests higher allowable defect rates before reporting or corrective action is required
 - During 2010-2013 period of change
 - New emissions standards
 - New OBD requirements
- Limit extended warranty to 200,000 miles
 - Staff proposes 435,000 miles

Remaining Issues

Independent Repair Industry

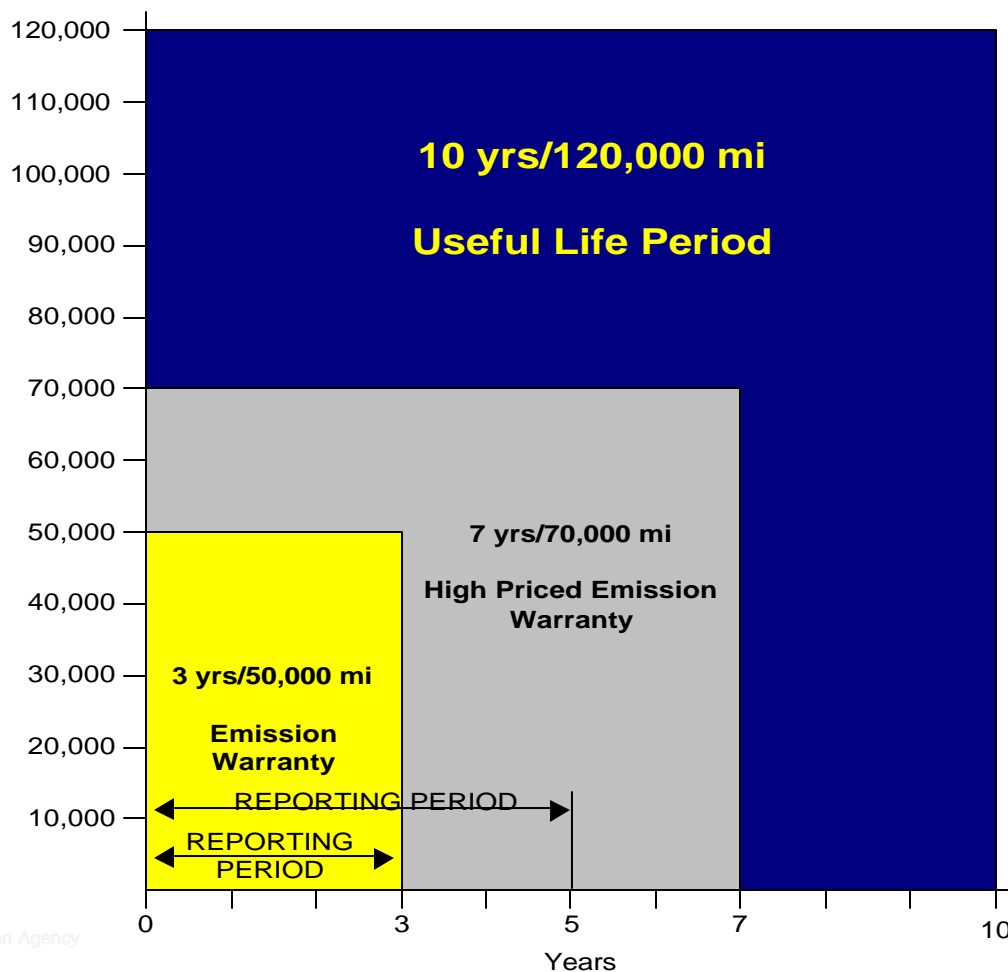
- Opposes extended warranty
 - Shifts repair business to dealerships
- Requests ARB authorize non-dealership to perform warranty repairs

Recommendation

- Proposed regulation has been improved due to post-hearing process
- Staff recommends adoption
 - More defective emission controls replaced
 - Remedy involving extended warranty less costly
 - Administrative costs reduced for all



Useful Life vs Warranty Period/Reporting Light Duty Vehicles



California Environmental Protection Agency



Air Resources Board

Useful Life vs Warranty Period/Reporting Heavy Duty Engines

